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State of South Carolina

Retirement System Investment Commission



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Nancy E. Shealy
Administrative Director
and General Counsel

November 1, 2007

The Honorable Mark Sanford
Governor of the State of South Carolina
Post Office Box 12267
Columbia, South Carolina 29211

RE: Budget Plan for FY 2008-09

Dear Governor Sanford:

The South Carolina Retirement System Investment Commission (Commission) was created by Act 153 of 2005 (Act 153). Act 153 created the Commission to consolidate the investment functions to effectively manage the defined benefit retirement funds of the South Carolina Retirement Systems (Retirement System) as fiduciaries and to enhance long-term investment performance. The Commission's mission is to fulfill its fiduciary responsibility by prudently managing all assets held in trust for the sole benefit of participants and beneficiaries of the Retirement System, seeking superior long-term investment results at an acceptable level of risk. While the expected results and outcome measures of the Commission's mission will be subject to constraints imposed by law, prudent investment management, and the performance of money and capital markets over 20- to 30-year periods, the Commission's activity is to:

- set investment objectives and policies and create investment strategies within prudent standards
- coordinate, establish, and maintain a disciplined investment process incurring reasonable expenses to ensure the funds are invested in a prudent manner consistent with fiduciary standards
- provide attentive management and monitoring of performance and investment managers to ensure prudent investing and compliance with investment policies, plans, and applicable laws
- administer contracts and monitor operations of investment managers to ensure implementation of changes and compliance
- provide for open decision-making and transparency of the decision-making process
- attend and/or provide continuing education on fiduciary responsibility and investment standards to maintain and improve knowledge to provide optimal services to the pension trust funds
- monitor compliance with statutory requirements, contractual arrangements, Freedom of Information Act (FOIA) requests, investment plans/policies, and securities litigation/claims administration to meet fiduciary standards

The Commission is funded solely by the pension trust funds. While the Commission is an independent agency, we seek to minimize costs to the trust funds by sharing resources with the Retirement System to the extent feasible and by hiring professional staff that can perform multiple functions within the agency where appropriate.

Pursuant to S.C. Code Ann. §9-16-315(G), the Commission employs a chief investment officer and has the authority to employ other professional, administrative, and clerical personnel it determines necessary. The Commission currently employs eleven (11) FTEs and two temporary employees (college interns). We are in the process of recruiting three (3) additional FTEs, and we anticipate filling the remaining five (5) FTE positions during the current fiscal year. The Commission recently relocated its offices to 200 Arbor Lake Drive, Columbia, SC, which is adjacent to the Retirement System's building and allows the Commission and Retirement System to share some resources.

With regard to the Commission's budget plan for FY 2008-09:

- The Commission is not requesting additional FTEs for FY 2008-09 at this time.
- The Commission reviewed the budget authorization from FY 2007-08 and included an increase of \$309,910 in funding in the Detail Budget for FY 2008-09. This amount includes increases in Personal Services for pay adjustments and anticipated increases in Employer Contributions; we are not requesting an increase in Other Operating authorization at this time.
- The Commission requests that the proviso in Section 77, number 77.1 (RSIC: New Positions), be deleted as this proviso requires the Commission to evaluate and approve the allocation of new FTEs prior to implementation and hiring. The proviso is unnecessary as the Commission is not requesting additional FTEs at this time.

One of the visions of the Commission in fulfilling its fiduciary responsibility to invest the assets of the Retirement System prudently is to strive for reasonable investment expenses, so exploring cost savings measures is part of our mandate. As the Commission continues to develop the agency and investment functions to provide optimal services to the trust funds, we will continue to diligently follow our mandate to develop and maintain investment operations in a prudent and cost efficient manner.

Attached are the applicable documents requested relating to the Budget Plan for FY 2008-09: Form for Provisos and FY 2008-09 Cost Savings & Activity Priority Addendum.

As always, thank you for your assistance in this matter. If you have any questions or need additional information, please contact me at 843-662-3258 (Reynolds@willcoxlaw.com), Nancy Shealy at 803-737-6937 (nshealy@ic.sc.gov), or Kathy Rast at 803-737-6580 (krast@ic.sc.gov).

Sincerely,

Reynolds Williams
Chairman

Attachments

FY 2008-09 COST SAVINGS & ACTIVITY PRIORITY ADDENDUM

I. PRIORITY ASSESSMENT OF ACTIVITIES – HIGHEST PRIORITIES

A. Agency Section/Code/Name: **Section 77 – E19 – Retirement System Investment Commission**

B.

Priority Assessment of Activities – Highest Priorities	General	Federal	Supplement al	Capital Reserve	Other	Total	FTEs
Activity Number & Name: 1659 Investment Operations	0	0	0	0	4,465,039	\$4,465,039	19.00
Activity Number & Name:	0	0	0	0	0	\$ 0	0
Activity Number & Name:	0	0	0	0	0	\$ 0	0
Activity Number & Name:	0	0	0	0	0	\$ 0	0
Activity Number & Name:	0	0	0	0	0	\$ 0	0
TOTAL OF HIGHEST PRIORITIES	\$ 0	\$ 0	\$ 0	\$ 0	\$4,465,039	\$ 0	19.00

FY 2008-09 ACTIVITY PRIORITY ADDENDUM

II. PRIORITY ASSESSMENT OF ACTIVITIES – LOWEST PRIORITIES

A. Agency Section/Code/Name: Section 77 – E19 – Retirement System Investment Commission

B. Agency Activity Number and Name: **N/A**

C. Explanation of Lowest Priority Status: **N/A**

D. Estimate of Savings:

Estimate of Savings:	General	Federal	Supplemental	Capital Reserve	Other	Total
Personnel:						
(a) Number of FTEs	0	0	0	0	0	0.00
(b) Personal Service	0		0	0	0	\$ 0
(c) Employer Contributions	0		0	0	0	\$ 0
Program/Case Services	0	0	0	0	0	\$ 0
Pass-Through Funds	0	0	0	0	0	\$ 0
Other Operating Expenses	0	0	0	0	0	\$ 0
Total	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

E. Activity Impact (*Describe the impact on the activity affected including the impact on customers and clients.*):

F.

[illegible]